



- The blue line above shows the inverse linear relation between the hedge ratio and foreign currency exposure
 - hedge ratio = 0% \Rightarrow fx exposure = 44%
 - hedge ratio = 100% \Rightarrow fx exposure = 0%
- If CalPERS maintains its present currency hedge ratio of 15%, its fx exposure will be 37% of the Fund
- A nearly 50% hedge ratio is needed to maintain the present foreign currency exposure at 22% of the Fund
- These numbers are premised on:
 - a 44% prehedge exposure
 - asset class and non-U.S. asset allocations being at targets adopted Dec.2007